

**DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE MONTANA PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA**

IN THE MATTER OF NorthWestern Energy's)	
Application For (1) Approval of Deferred Cost)	REGULATORY DIVISION
Account Balances for Electricity Supply, CU4)	
Variable Costs/Credits, and DGGS Variable Costs/)	
Credits; and (2) Projected Electricity Supply Cost)	DOCKET NO. D2012.5.49
Rates, CU4 Variable Rates, and DGGS Variable Rates)	

**DATA RESPONSES OF THE MONTANA CONSUMER COUNSEL
TO MONTANA PUBLIC SERVICE COMMISSION
(PSC-092 through PSC-095)**

PSC-092

Regarding: Hedging
Witness: Donkin

- a. Are you suggesting that the Commission ought to determine the electricity hedging strategy as having been imprudent and order certain out-of-market costs to be disallowed?
- b. Given NorthWestern's response to MCC-003(b), which you criticize as not including substantial information about the out-of-market costs of hedging, how would the Commission go about calculating the losses which resulted from this policy; or do you simply agree with what Frank Bennett has provided, which appears in your GLD-1?
- c. Assume that the Commission agrees with NorthWestern's contention, which you cite to, that the objective of hedging is not to reduce cost of supply, but to

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reduce risk. How should the PSC attempt to evaluate a suitable premium that it is willing to have paid in times of low market prices for out-of-market purchases that avoid risk of suddenly inking market prices?

RESPONSE:

- a. No.
- b. My Exhibit GLD-1 relates to NWE's projected hedging losses for the projected tracker period July 2012 through June 2013. As stated there, it is based on Mr. Bennett's Exhibit ____ (FVB) 12_13, pages 3 and 4. I am not aware of comparable data in the record in this case for the actual tracker period of July 2011 through June 2012. To obtain such information, the Commission can ask NWE to produce a late-filed exhibit containing actual data for the tracker period July 2011 through June 2012, that is comparable to the projected data for July 2012 through June 2013, that is contained in Mr. Bennett's Exhibit ____ (FVB) 12_13, pages 3 and 4.
- c. The development of such a premium requires a detailed study that I have not performed.

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PSC-093

Regarding: SBW report

Witness: Unknown

- d. Is MCC challenging any aspect of SBW's work and, if so, which aspect(s)?
- e. Does MCC accept as true the energy savings the SBW report projects as resulting from NorthWestern's energy efficiency programs?
- f. To what extent should the Commission be concerned about the independence of the savings estimates in SBW's report, given that SBW's contract is with NWE?
- g. Have you reviewed the avoided-cost calculations that NorthWestern and SBW are using to benchmark DSM cost savings against? (Refer to the report, and PSC-052 as needed.) If so, do you find them reasonable?

RESPONSE:

- a. MCC has several concerns with the SBW's work. One concern is the lack of ability to perform sensitivity analysis on the spreadsheets used to perform the Cost-Benefit (C-B) modeling. Another concern is the assumption that free ridership and spillover effects cancel one another out even though SBW's subcontractor calculated free ridership and spillover rates for NWE's DSM programs.
- b. The C-B model's lack of tractability gives MCC concern as to the accuracy of the savings estimates.
- c. The independence and autonomy of SBW's conclusions should be thoroughly scrutinized given that the work was contracted for and paid for by NWE. At a minimum, the Commission should obtain information regarding the individuals involved in the SBW report; the percentage of SBW's income that was derived from the NWE project; the fees charged for the work; and what other clients SBW does work for.

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- d. After comparing NWE's electric price forecasts in Resource Value Spreadsheet *2011 FINAL 20101227.xls* against the Energy Information Administration's (EIA) forecasts from its 2013 Annual Energy Outlook (AEO) Electric Power Projections for the EMM Region, Western Electricity Coordination Council/ Northwest Power Pool Area, MCC finds it troubling that NWE's forecasts are significantly different than the EIA forecasts. MCC also finds it troubling that there is no explanation of the methodology NWE's consultant used to calculate those forecasts. In MCC's opinion, NWE's forecasts are excessively high. The following table compares NWE's forecasts against the 2013 AEO Reference Case, High Growth, and Low Growth scenarios. Also included is a 60/40 weighted average of the AEO High Growth and Low Growth Scenarios to compare against NWE's \$/MWh flat price, which is a 60/40 weighted average of its HLH and LLH prices.

EIA AEO2013				NWE				
	RC	HG	LG	60/40 HG		HLH	LLH	\$/MWh flat
				LG				
2010	\$ 26.33	\$ 26.33	\$ 26.33	\$ 26.33		\$ 47.86	\$ 37.25	\$ 43.61
2011	\$ 26.53	\$ 26.53	\$ 26.53	\$ 26.53		\$ 53.06	\$ 39.78	\$ 47.75
2012	\$ 26.95	\$ 26.94	\$ 26.98	\$ 26.96		\$ 58.96	\$ 46.29	\$ 53.89
2013	\$ 29.32	\$ 29.81	\$ 29.50	\$ 29.68		\$ 61.51	\$ 48.28	\$ 56.22
2014	\$ 29.41	\$ 30.20	\$ 29.86	\$ 30.06		\$ 64.97	\$ 51.27	\$ 59.49
2015	\$ 29.78	\$ 30.24	\$ 30.33	\$ 30.28		\$ 68.27	\$ 53.90	\$ 62.52
2016	\$ 32.17	\$ 32.46	\$ 34.39	\$ 33.23		\$ 71.43	\$ 56.42	\$ 65.43
2017	\$ 34.06	\$ 35.44	\$ 36.56	\$ 35.89		\$ 75.02	\$ 59.29	\$ 68.73
2018	\$ 36.51	\$ 36.91	\$ 37.29	\$ 37.06		\$ 78.98	\$ 62.44	\$ 72.37
2019	\$ 35.81	\$ 37.50	\$ 38.31	\$ 37.82		\$ 83.08	\$ 65.71	\$ 76.13
2020	\$ 34.92	\$ 37.95	\$ 38.01	\$ 37.98		\$ 87.33	\$ 69.10	\$ 80.04
2021	\$ 34.05	\$ 39.38	\$ 38.96	\$ 39.21		\$ 91.63	\$ 72.52	\$ 83.98
2022	\$ 35.27	\$ 40.07	\$ 40.35	\$ 40.18		\$ 96.28	\$ 76.23	\$ 88.26
2023	\$ 37.36	\$ 41.37	\$ 42.34	\$ 41.76		\$ 101.25	\$ 80.19	\$ 92.83
2024	\$ 38.33	\$ 42.39	\$ 43.72	\$ 42.92		\$ 105.94	\$ 83.94	\$ 97.14
2025	\$ 37.58	\$ 43.64	\$ 45.47	\$ 44.37		\$ 110.99	\$ 87.96	\$ 101.78
2026	\$ 38.57	\$ 44.90	\$ 44.60	\$ 44.78		\$ 115.73	\$ 91.73	\$ 106.13
2027	\$ 41.37	\$ 46.21	\$ 45.11	\$ 45.77		\$ 120.77	\$ 95.76	\$ 110.77
2028	\$ 43.22	\$ 45.80	\$ 46.89	\$ 46.23		\$ 126.28	\$ 100.15	\$ 115.83
2029	\$ 44.64	\$ 46.51	\$ 50.91	\$ 48.27		\$ 130.74	\$ 103.70	\$ 119.92

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PSC-094

Regarding: Criteria for utility energy efficiency programs

Witness: Unknown

- a. In the Commission's attempt to evaluate DSM programming, should it matter which consumers participate in DSM programs, or should DSM's savings of energy to the system compared with the avoided cost of energy the utility otherwise would have purchased be the Commission's lodestone, regardless of the level of consumer participation?
- b. What criteria, other than a comparison of the cost of energy saved versus the avoided cost of energy purchased from other sources, should be considered in making decisions about energy efficiency and conservation programming?
- c. Please refer to NWE response to PSC-054. Do you support the company's plan to continue incenting CFL purchases even while federal regulations have caused (or will cause) incandescent light bulbs of gradually lower wattages to be discontinued from being manufactured?

RESPONSE:

- a. It should matter which consumers participate in DSM programs. DSM programs that target low-income customers often fail to be cost-effective from a Total Resource Cost (TRC) perspective, but are allowed to be implemented as it is assumed that low-income customers would benefit substantially from them and would not otherwise be able to make efficiency upgrades absent the programs. These programs would often not be implemented if they were merely judged by C-B tests.
- b. In all other circumstances besides low-income programs, standard C-B modeling should be used to evaluate DSM programs.
- c. No.

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Regarding: Efficient dispatch

Witness: Unknown

The PSC requested supplemental testimony about the efficient dispatch of NorthWestern's owned and contracted resources that offer flexible reserves and regulation service, and the MCC submitted data requests in that matter. Does MCC have any opinion on this issue and on what steps the Commission should take to improve the efficient operations of NorthWestern's owned and contracted assets?

RESPONSE:

The subject of intra-hour dispatch requires extensive modeling to evaluate its effect on NWE's system. Without conducting any modeling, MCC cannot comment on its merits or lack thereof.